

**VIATICAL EXAM STUDY OUTLINE FOR VIATICAL INCLUDING LIFE**  
**Fifty (50) Question Multiple-Choice Exam**

**PART ONE:**

**Life Insurance: (50% will come from Part One)**

Reference: Pictorial *Life & Health Basics*, 17<sup>th</sup> Edition

<http://www.bisys-education.com/>

**Section and  
Unit Assignments  
In Pictorial 17<sup>th</sup> Ed.**

**Content**

<b>01 - Unit One</b>	<b>Introduction to Life Insurance (2% of test)</b> Principles of Life Insurance Elements of a Contract
<b>02 - Unit Two</b>	<b>The Need for Life Insurance (2% of test)</b> Obligations at Death Living Benefits of Life Insurance
<b>03 - Unit Three</b>	<b>Permanent Life Insurance (10% of test)</b> Permanent and Term Insurance Permanent Life Insurance Policies Whole Life Insurance Limited Pay Life Policies Joint-Life Policies Survivorship Policies Adjustable Life Policies Universal Life Death Benefit Policy Loans Partial Withdrawals Flexible Premiums Variable Universal Life Current Assumption Whole Life Indeterminate Premium Policies
<b>04 - Unit Four</b>	<b>Term Life Insurance and Other Plans (10% of test)</b> Term Insurance Products Level Term Decreasing Term Increasing Term Convertible Term Renewable Term Family Plans Family Income Policies Family Maintenance Policies

**05 - Unit  
Six**

**Policy Provisions (4% of test)**

Entire Contract  
Insuring, Consideration, Execution Clauses  
10-Day Free Look  
Policy Ownership  
The Policyowner's Rights  
Beneficiaries  
Uniform Simultaneous Death Act  
Common Disaster Provision  
Spendthrift Clause  
Incontestable Clause  
Applicant Control or Ownership Clause  
Privilege of Change Clause  
Automatic Premium Loan Provision  
Policy Assignment

**06 - Unit  
Seven**

**Riders (4% of test)**

Riders Defined  
Waiver of Premium  
Disability Income Rider  
Accidental Death Rider  
Guaranteed Insurability Rider  
Accelerated Death Benefits Rider  
Viatical Settlements  
Term Riders

**07 - Unit  
Nine**

**Dividends (2% of test)**

Dividend Options  
Cash Dividend Option  
Accumulation at Interest Option  
Paid-Up Additions Option  
Reduce Premium Option  
One-Year Term Dividend Option

**08 - Unit  
Ten**

**Nonforfeiture and Settlement Options (4% of test)**

Nonforfeiture Values and Options  
Cash Surrender Option  
Reduced Paid-Up Insurance Option  
Extended Term Option  
Automatic Premium Loan Option  
Lapse and Reinstated Policies

**09 - Unit  
Eleven**

**Policy Loans (4% of test)**

The Basic Concept  
Advantages of Policy Loans  
Deferring Policy Loans  
Collateral For Policy Loans  
Irrevocable Beneficiaries and Policy Loans  
Interest on Policy Loans

Fixed Interest Rate  
Variable Interest Rate  
Nonpayment of Policy Loans  
Loans and Nonforfeiture Options  
Outstanding Loans and Death Claims

**10 - Unit  
Fifteen**

**Group Life Insurance (2% of test)**

Types of Groups  
Certificate of Insurance  
Group Policy Types  
Contributory vs. Noncontributory  
Probationary Period  
Eligibility Period  
Group Life vs. Individual Life  
Conversion Privilege  
Dependents and Group Life

**11 - Unit  
Twenty**

**Legal and Professional Aspects (6% of test)**

Control of the Insurance Business  
Insurance Commissioners and Insurance Laws  
Duties of the Insurance Commissioner  
Complaints  
National Association of Insurance Commissioners (NAIC)  
Agents  
Examination and Licensing of Agents  
Brokers/ Agents  
The Powers of Agency  
Producers  
Consultant  
Commissions  
Commission-Splitting  
Ethics: Regulated Practices  
    Rebating  
    Policy Replacement  
    Churning  
    Misrepresentation  
    Fraud  
    Failure to Remit Premiums  
Delivering the Policy  
Exposure to Errors and Omissions Liability

**PART TWO:**

**Kentucky Life Insurance Law (10% of test from this section)**

Reference: Pictorial *Insurance Law Digest for Kentucky*  
*Agent License Training and August, 2000 Addendum*

**Section and  
Unit Assignment**

**Content**

**01 - Unit  
One**

**Kentucky Laws and Regulations That Apply To All Lines of Insurance  
(8% of test)**

Definitions  
Insurance Agents and Solicitors  
Insurance Consultants  
Laws and Regulations Governing All Licensees  
Trade Practices and Fraud  
Insurance Fraud  
Penalties for Violations

**02 - Unit  
Three**

**Kentucky Laws and Regulations That Apply To Life Insurance Only  
(2% of test)**

Policy Clauses and Provisions  
Group Life

**PART THREE:**

**Kentucky Viatical Law (34% of the exam will be from this Part)**

References: KRS304.15-020, KRS 304.15-700-720, and Related Regulations;  
*Kentucky Consumer Guide to Understanding Viaticals; General Viatical Definitions &  
Common Questions (GVSD&Q) as provided*

**Section and  
Related Reference  
Materials**

**Content**

**01 -**

**KY Consumer  
Guide  
&  
GVSD&Q**

**General Viatical Questions for Brokers and Consumers**

**(14% of test)**

Understanding Viatical Settlements  
Viatical Settlement Provider  
Viator  
Viatical Settlement Broker  
Steps Required by Law in Kentucky  
Consumer Tips  
Consumer Options  
Viatical Settlement Purchase Agreement  
Cleansheeting  
Wet Ink Policy

**02 - KRS 304.15-020**

**General Definitions (2% of test)**

03 - KRS 304.15-700	Licensing requirements and administrative regulations governing viatical settlement providers and brokers - Contracts - Evidence of financial responsibility - Commissioner's approval required. (2% of test)
04 - KRS 304.15-705	Commissioner's authority to examine - Confidentiality of information concerning viators - Retention and inspection of records - Secretary of State to receive service of process. (2% of test)
05 - KRS 304.15-710	Viatical Settlement provider's duties of disclosure to viator. (2% of test)
06 - KRS 304.15-715	Requirements for viatical settlement contracts. (2% of test)
07 - KRS 304.15-717	Circumstances under which viatical settlements are unlawful. (2% of test)
08 - 806 KAR 9:310	Viatical settlement broker license. (4% of test)
09 - 806 KAR 9:320	Viatical settlement provider license. (4% of test)

---

**PART FOUR:**

**Securities Law (6% of the exam will come from Part Four)**

References: Reprinted in Part From *Pass Perfect 2000*

*Success at Six*, 1998, Jack C. Keir, Inc. in cooperation with Pass Perfect Associates (publisher)

**Section and  
Page Numbers**

**Content**

**01 - Page 1**  
*Pass Perfect 2000*

**Uniform Securities Act - Definition of Terms (2% of test)**  
USA  
NSMIA  
Registration of Securities  
Security Defined

**02 - Pages 79  
to 82**  
*Pass Perfect 2000*

**Unethical Business Practices (2% of test)**  
Misleading or Untrue Statements  
Not Determining Suitability of Recommendations To Customers  
Effecting Trades In A Customer Account Without Proper Authorization  
Not Maintaining An "Arm's Length" Relationship With The Customer

03 - Pages  
121 - 130  
*Success at Six, 1998*

**Suitability Factors** (2% of test)  
Client Investment Objectives  
Preservation of Capital  
Growth of Invested Capital  
Current Income  
Financial Status  
    Personal Balance Sheet  
    Net Worth  
    Personal Income Statement  
    Discretionary Income  
Debt Should Be Reduced Before Investing  
Retirement Plan Participation  
Investment Limitations  
    Properly Executed Will  
    Liquidity  
    Insurance Needs  
Reps Do Not Give Advice Requiring Specific Expertise  
Taxation of Long-Term and Short-Term Capital Gains

**GENERAL VIATICAL SETTLEMENT DEFINITIONS AND OFTEN ASKED QUESTIONS**  
**(GVSD&Q)**

**Clean Sheeting:** *This practice involves hiding terminal medical conditions from a life insurer, to obtain a policy that can be sold to investors.*

**Wet Ink Policy:** *Promising a sum of money and no premiums payable if they take out insurance policies, which are then viaticated.*

**Jet Underwriting:** *Buying policies that require no underwriting and once issued, viaticating the policy.*

**Questions the broker should be able to answer:**

*What are the income tax consequences to the viator, of selling his or her life insurance policy?*

If the viator is terminally ill with a prognosis of less than 24 months to live or is chronically ill, then the cash received from the sale is not subject to income tax. Otherwise, the proceeds are to be reported as ordinary income and subject to the appropriate capital gains tax rate. As a broker, you should **always** advise the person who is viating the policy to seek proper tax and legal advice, prior to entering into the contract.

***Will the viator have to submit to a medical exam in order to sell his or her policy?***

Usually not. This depends upon the company purchasing the policy. If the person has not seen a doctor for a while, he or she may be required to be examined before his or her physician will provide an Attending Physician's Statement, which is a document required by all purchasing companies.

***Will anyone contact the beneficiary of the policy being viaticated?***

There are no legal requirements; however, most purchasing companies require that each primary beneficiary sign a release, waiving any claims to the policy.

***Who actually has the authority to viaticate the policy?***

The owner of the policy.

***If the viator accepts an offer, can he or she change his or her mind?***

The viator must be informed that he or she can generally change his or her mind at any time, up to the closing (when the title is transferred to the purchaser and money is obtained). After the contract is signed the viatical settlement contract in Kentucky shall contain an unconditional refund provision that provides for a refund within at least thirty (30) days from the date of the contract or fifteen (15) days from the receipt of the viatical settlement proceeds, whichever is less.